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## ARTICLES:

### (1) Drifting Doha Round: Japan finds itself further isolated

ASAHI (Page 6) (Full)  
July 31, 2008

The collapse of the new round of global trade talks (Doha Round) under the World Trade Organization (WTO) has disappointed Japanese business leaders. They had anticipated that tariffs imposed by the U.S. and Europe could be sharply reduced. In an effort to protect domestic farmers, Japan has been on the defensive about tariff rates. Japan will inevitably be pressed to reform its agricultural structure in the rapid shift toward bilateral free trade talks expected in the future.

#### Concern about progress in FTA talks between EU, South Korea

Business leaders are disappointed at the breakdown of the WTO talks, because they had expected to see drops in tariffs on industrial products.

Keizai Doyukai (Japanese Association of Corporate Executives) President Masamitsu Sakurai (Ricoh chairman) issued this comment yesterday:

"It was very regrettable. I am deeply concerned that the WTO talks may be delayed by two or three years. I also fear that the antagonism among participating countries might lead to a trend of protectionism or anti-globalization setting in"

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High tariffs levied by the European Union (EU) and the U.S. stand in the way of Japanese automakers' business. An executive of an automobile manufacturer grumbled with disappointment: "The talks were moving in a favorable direction. We are greatly disappointed."

The U.S. imposes a 25 PERCENT tariff on large-sized foreign vehicles. This area in the automobile sector has long been a major income source for the so-called U.S. Big Three automakers, including General Motors. The EU, too, levies a 10 PERCENT tariff on imported passenger cars, undermining Japanese compact cars' price competitiveness. Given this situation, Japanese automakers had highly anticipated that tariff rates would be sharply lowered.

Business leaders are becoming nervous about the future development of the talks on concluding a free trade agreement (FTA) that started last year between the EU and South Korea.

Once the EU agrees on a plan to reduce the tariffs on South Korean vehicles, Japanese automakers will be driven into a tighter spot. Electrical appliance manufacturers have also been in competition with South Korean rivals in the market of such digital products as slim TV sets. An executive of a leading home appliance manufacturer emphasized: "WTO talks involve many countries' national interests, so it naturally takes considerable time until an agreement is reached. Japan should also pour its energies into bilateral FTA negotiations."

Business leaders had also anticipated that if tariffs on farm products had been reduced, agricultural reform in the nation would be accelerated.

Vice President Yoji Sato of the leading trading company Sojitz Corp said in a press conference yesterday: "(When grain prices are steeply rising,) agriculture is becoming a sort of resource for countries. Such 'resource' nationalism might have contributed to breaking off the talks." Sato expressed concern that the trend of protectionism might grow and that economic blocs might be formed.

#### Limit to protecting agriculture

"I had not thought that the world had such harsh views, so we must move ahead with reform," said Ministry of Agriculture, Forestry and Fisheries (MAFF) Minister Wakabayashi in a press conference on the

night of July 29, just after the talks ended in rupture.

Japan had insisted that 10 PERCENT of all farm products should be designated as sensitive farm products to be exempted from sharp tariff cuts. But based on the judgment that "the target might not be seriously discussed," as Wakabayashi noted, the government lowered the target to 8 PERCENT. Japan, however, remained defensive of its stand on the agricultural sector.

With the collapse of the talks, tariffs will not be steeply cut for the time being. But a senior MAFF officer said: "Since negotiations will continue, the same scene will repeat itself several years from now." When the Uruguay Round was concluded in 1993, the mandated average tariff-cut rate was 36 PERCENT, 1.5 times less than the 54 PERCENT called for in the talks this time. Almost everybody connected with agriculture is aware of the need to lower tariffs from a medium to long-term point of view.

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Cited as a problem in Japan's agriculture is that farm products cultivated in a land-intense way, like rice and wheat, are less competitive. That's why Japan imposes considerably higher tariffs on rice and wheat.

The major reason for this problem is that a cultivated acreage per farm household is small. The average acreage under cultivation is 1.7 hectares in Japan, about 380 hectares in Australia, 84 hectares in the U.S., and 34 hectares in France. MAFF intends to submit a bill amending the Agricultural Land Law designed to promote farmland concentration to the next extraordinary Diet session this fall. But because the opposition camp has control of the House of Councillors, it is uncertain whether legal preparations will be able to move forward. Many farmers, in anticipation of a rise in land prices, have kept held on to their farmland, so little progress has been made in promoting large-scale farming.

Many experts see that expanding "the system of direct payments" from the government to farmers is effective to maintain both the free-trade system and certain amounts of food production in the nation. The system is designed to maintain the production system with subsidies in return for liberalization. This system has been widely adopted among industrialized countries. Even so, there are many hurdles to clear before Japan can introduce such a system, such as a lack of public understanding and fiscal problems.

(2) Limits to proceedings of WTO under lead of U.S., Europe, with strong reactions from developing countries; Japan remains low profile

YOMIURI (Page 9) (Excerpts)  
July 30, 2008

A key ministerial meeting to determine the fate of the new round of World Trade Organization (WTO) global trade talks (Doha Round) has broken off. Although seven years have passed since the Doha Round was established, no agreement has been reached. This result shows that there are limits to the WTO's formation of rules as a result of national interests of advanced and developing countries clashing complicatedly.

The situation this time is similar to that developed in the ministerial meeting in Cancun, Mexico (in September 2003). WTO Director General Pascal Lamy was attending in that meeting as a trade and commerce officer of the European Union (EU).

At that time, Lamy was criticizing the WTO's policymaking based on the unanimity rule. He fully knows about the WTO's weak points.

Despite such full knowledge, Lamy had confidently said before the unofficial ministerial meeting: "There is a 50-50 chance" for a free trade accord.

The U.S. submitted a proposal to cut subsidies for domestic farmers just before the ministerial meeting, in an attempt to take the initiative in discussions.

But India reacted fiercely, irritating the U.S. The U.S. repeatedly criticized India, resulting in enraging India further. In past negotiations, everything was decided under the lead of the U.S. and Europe. This experience was no longer useful this time, as represented by a clash between the U.S. and India/China over

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conditions for developing countries to invoke the so-called safeguard mechanism in the agricultural sector.

The U.S. wants to sell its farm products to such huge markets as India and China, but India and China want to protect their domestic farmers. As it stands, both sides' circumstances are totally different.

A proposal for agreement - presented by Lamy on July 25 - noted that if one nation boosts the volume of imports by 40 PERCENT over the previous year, the nation will be allowed to resort to the safeguard mechanism.

Even so, there are few cases of a 40 PERCENT increase in imports of the same farm product. In India, there are many petty farmers, so it wants to protect domestic wheat farmers. India claimed the Lamy proposal as offering excessively strict conditions for safeguards.

Countries naturally make remarks to boost their national interests. As emerging countries or developing countries become more influential, it will become more difficult for the WTO to establish rules.

Japan is the world's second largest economic power, but its international status is waning in the shadow of India and China.

Japan attended a meeting by seven major trading parties, but there, the U.S., Europe, India, and China played key roles. Minister of Economy, Trade and Industry Amari said: "I would like to play a mediating role between industrialized and developing countries," but he just played a subordinate part.

Japan initially wanted 10 PERCENT of all farm products to be designated as sensitive products to be exempted from sharp tariff cuts. Just before the start of negotiations, Japan lowered the target to 8 PERCENT, but the proposed rate was lower than 8 PERCENT, exposing Japan's lack of bargaining capability and its overly optimistic outlook.

(3) Rupture of WTO talks to accelerate bilateral talks; Japan's disadvantage to continue, fettered by agricultural interests

MAINICHI (Page 8) (Full)  
July 31, 2008

The breakdown of the multilateral trade liberalization talks (Doha Round) sponsored by the World Trade Organization (WTO) will likely accelerate moves to sign bilateral trade agreements, such as a free trade agreement (FTA) or an economic partnership agreement (EPA). However, Japan will likely be at a disadvantage in such bilateral negotiations, just as it was in the Doha Round negotiations, since the issue of opening its agricultural market will continue to act as a fetter.

As of October 2007, the number of FTAs and other bilateral economic agreements signed throughout the world grew seven-fold to 194, compared to 1990.

An FTA focuses on trade liberalization, based on a scrapping of tariffs. Japan attaches importance instead on signing EPAs, which aim at revitalizing the economy by adding investment, intellectual property rights and personnel exchanges to free-trade rules. It has

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so far signed EPAs with nine countries. Talks with six other countries are going on.

However, since Japan has characterized bilateral talks as supplemental to multilateral talks, it is lagging behind other countries. Now that WTO talks have ruptured, those who are advocating moving swiftly toward bilateral agreements are increasing in number.

Japan found itself at a disadvantage during the WTO's ministerial meeting. It also has been having difficulty in EPA talks with Australia, since that country is pressing for a total abolition of tariffs on rice, beef and dairy products. EPA talks with South Korea have been suspended since that country is seeking the liberalization of 90 PERCENT of agricultural products. Political and historical issues are complicating talks with South Korea, with the issue of Takeshima isles, which both countries claim, casting a pall.

South Korea this April reached agreement with the U.S. to sign an FTA. It is also moving ahead with talks with the European Union (EU). In Japan, however, government agencies are out of step with the Ministry of Economy, Trade and Industry (METI), which is exploring opportunities to start talks with the EU and the U.S. The Ministry of Agriculture, Forestry and Fisheries, however, has been taking a cautious stance. Now that the WTO talks have broken down, it is time for Japan to take a second look at its trade policy.

(4) Cabinet shuffle in August; no prospects yet on timing of extra Diet session, Lower House dissolution

YOMIURI (Page 4) (Full)  
July 30, 2008

Following the endorsement of the spending cap for fiscal 2009, Prime Minister Yasuo Fukuda began yesterday to coordinate a cabinet shuffle in August, hoping by that to boost his administration's popularity. However, following the cabinet shuffle, the timing of the next extraordinary Diet session and whether there will be dissolution of the House of Representatives remain opaque. On these issues, the gaps in views in the ruling coalition seem difficult to overcome.

For the Fukuda administration, July 29 was a day of policy decisions. That morning, the government announced an action plan to create a low-carbon society in order to cut greenhouse gas emissions, as well as an emergency social welfare program, called the "five step relief plan."

Having completed his policy agenda, the Prime Minister then turned to preparing an environment for shuffling his cabinet. A senior Liberal Democratic Party (LDP) official said last night: "It will probably be all over by August 10. I presume that a major shuffle will be carried out."

With the likelihood of a pending cabinet shuffle in mind, Foreign Minister Masahiko Koumura called off his eight-day trip to India and other countries that would have started August 1.

However, Fukuda does not yet seem to have completely made up his mind on all three matters. He told his aide: "I cannot ignore any of them."

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A divergence of views in the ruling camp on the timing for convening an extraordinary Diet session, as well as for Lower House dissolution has become stronger.

In order to enact a bill revising the New Antiterrorism Special Measures Law and bills related to establishing a Consumer Affairs Agency, LDP Secretary General Bunmei Ibuki hopes to convene the extra session in late August. He also envisages that the Lower House would likely be dissolved next spring, once the fiscal 2009 budget is passed in the next regular session. The budget incorporates a plan to convert tax revenues currently earmarked for road maintenance and construction into general spending funds.

Meanwhile, the New Komeito has been seized with the notion of

convening the extra Diet session in late September, and the party is pushing for foregoing a bill extending the New Antiterrorism Special Measures Law.

For the New Komeito, it is desirable to call for a Lower House election at the beginning of the regular Diet session next January in order to have a long interval in between that election and the Tokyo Metropolitan assembly election next summer, on which the party has placed a priority. LDP Election Strategy Council Chairman Makoto Koga has fallen in line with the New Komeito's position.

Ibuki wants Fukuda first gain public support by shuffling the cabinet before considering a general election. Although the New Komeito ostensibly says that shuffling a cabinet is the prime minister's sole prerogative, it has been reluctant toward a cabinet shuffle, one official citing: "It would delay the timing of Lower House dissolution." Some in the LDP doubt that the New Komeito is planning to try to dump Fukuda before the Lower House election.

#### (5) Frustration growing among lawmakers and bureaucrats

NIKKEI (Page 2) (Abridged)  
July 31, 2008

Prime Minister Yasuo Fukuda did not announce a cabinet shuffle yesterday, July 30, disappointing government and ruling party executives. A delay in the prime minister's decision has elicited voices of bewilderment and frustration from the Kasumigaseki bureaucratic district and the capitol district of Nagatacho, with one saying, "It's hard to proceed with new projects."

A meeting yesterday of the secretaries general and Diet affairs chiefs of the LDP and New Komeito confirmed the policy course of handing such outstanding issues as the time of convening the next extraordinary Diet session over to the new regime on the assumption that the prime minister will shuffle his cabinet in August. But no one was certain about the cabinet shuffle.

Representing the LDP officers, Secretary General Bunmei Ibuki later in the day called on the prime minister at his office with the aim of nailing down the much-talked-about cabinet shuffle. But the prime minister simply said, "I will consult with you later." Ibuki could not press the prime minister harder.

The LDP leadership is likely to remain paralyzed until the prime minister announces a cabinet shuffle and forms a new cabinet. An LDP Upper House officer described the series of developments over a cabinet shuffle as "much ado about nothing."

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Frustrated with Fukuda's excessive caution, an LDP executive also complained, saying, "The prime minister has kept us hanging, and we cannot make plans. I want to return to my home constituency, but I cannot make a decision."

The prime minister's lack of decision has begun taking a toll on policy councils as well. For example, the government's National Commission on Social Security planned to meet in the week of August 4, but it might now have to delay that substantially depending on when the prime minister shuffles his cabinet. The Council on Economic and Fiscal Policy will also effectively remain stalled until after the O-bon midsummer holidays.

The impact is not limited to domestic affairs alone. Foreign Minister Masahiko Koumura has cancelled his trip to India, Sri Lanka, and Uzbekistan from August 1. Although a Foreign Ministry official denied any adverse effects, some fear that Japan might have lost a golden opportunity to strengthen ties with India, which played a major role in the just-ended World Trade Organization trade talks. A meeting of the foreign ministers of Japan and five Central Asian countries, the first in two years, will also have to be rearranged for a later date.

Economic and Fiscal Policy Minister Hiroko Ota is unable to decide on her attendance at the First APEC Ministerial Meeting on

Structural Reform, to be held in Melbourne on August 3-5.

The prime minister has been concealing his true intention from private-sector individuals as well. Fukuda attended journalist Soichiro Tahara's study meeting yesterday in which the premier was advised by the journalist: "If you have to shuffle your cabinet, you must take chances. Otherwise the cabinet will lose steam." In response, Fukuda nonchalantly said, "What do you mean by 'take chances'?"

DPJ cold toward indecisive premier

Opposition parties are also reacting coldly to the turmoil in the government and ruling bloc. Democratic Party of Japan Deputy President Naoto Kan, attending a workshop held yesterday in Fukuoka, criticized Fukuda, saying, "I have never seen such an indecisive person. He has yet to make up his mind." President Ichiro Ozawa, in a press conference in Sapporo, categorically said: "The LDP administration cannot handle the current major issues; the country needs a change of government."

(6) Government to assist consolidation of Trans-Siberian Railway to cut distribution costs

NIKKEI (Page 1) (Full)  
July 30, 2008

The government in cooperation with the Russian government will launch a project to build a distribution network that would modernize the Trans-Siberian Railway. Loans by a Japanese government-affiliated financial institution and trade insurance will be used to modernize the railway, which stretches approximately 9,300 kilometers across Russia, to help boost train speed, and to introduce new trains and a goods-transport system. The assistance will aim at speeding up customs clearance with the aim of helping companies reduce the time and cost of the distribution of goods.

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Since along the railway there are many special economic zones and areas where resources are being developed, the government will indirectly be assisting a broad range of Japanese companies, such as resource-related, automobiles, high-tech, and distribution, to make inroads into these areas.

The initiative to be promoted by the governments of Japan and Russia will be called the "Eurasia Industrial Investment Bridge." Under the initiative, Tokyo and Moscow will cooperate to develop energy and natural resources, as well as to nurture new industries centered on the modernization of the railway connecting the Russian Far East and Moscow. The Russian government last year proposed a plan to modernize the Trans-Siberian Railway by 2030. The total project cost will be approximately 69 trillion yen. Private investments from foreign countries will also be solicited.

The upgrading of the Trans-Siberian Railway will shorten the length of cargo transportation between Moscow and Vladivostok from the current two weeks to one week. The main transportation route is now an ocean route via Europe. The use of the improved Trans-Siberian Railway would shorten the length of cargo transportation by 40 PERCENT -70 PERCENT . At present the freight rate charged to ship via the Trans-Siberian Railway is higher than the freight charge of ocean transportation. However, the gap is beginning to narrow due to a rise in the cost of ocean transportation due to soaring fuel prices.

Japan will offer full support for the initiative. As a first step to implementing the plan, both countries in early September will hold a bilateral investment forum at the cabinet level in St. Petersburg. More than 100 companies from such industrial fields as distribution, financial services and automobile manufacturing, not to mention resource-related areas, will take part in the conference and discuss ways to cooperate in the project.

In modernizing the railway system, bilateral cooperation will focus on improving the train operation system, building infrastructure to improve train speed and upgrading freight cars and rail beds.

Chances are that the project could lead to the introduction of train cars made in Japan. Japan also will promote investments in the numerous economic zones and resource development areas located along the railway. The government will help companies advance into Russia through financing by the Japan Bank for International Cooperation (JBIC) and the use of Japan's trade insurance system.

Japan's trade with Russia in 2007 jumped 55 PERCENT from the previous year's level. Japan mainly imports natural resources, such as crude oil and nonferrous metals. As Russia's per-capita income increases, its markets are becoming increasingly attractive. However, many Japanese companies take the view that transportation infrastructure connecting major cities with the Far East remains insufficient. The government, therefore, has decided it needs to make more efforts in order to deepen Japan's economic relations with that nation.

Once the distribution network becomes more efficient, Russia would also find it easier to export such resources as rare metals and timber.

(7) U.S. consul general's art of reasoning against reason: 'Racial discrimination' against Okinawans; Outspoken to justify base presence forced on Okinawa

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RYUKYU SHIMPO (Page 17) (Full)  
July 30, 2008

Koya Nomura, professor at Hiroshima Shudo University

According to the Ryukyu Shimpo's article in its July 12 morning edition's local news page and its July 13 editorial titled "We don't need an American consul general like this," the U.S. consul general in Okinawa, Kevin Maher, seems to have hurt the hearts of many people in Okinawa again. This is evident from the article that reported on the anger and humiliation of people in Okinawa. Moreover, I also guess that some of those who read the article probably felt discomfort, depressed or helpless, or felt sad. This kind of feeling is probably the one that we would have when we are discriminated against.

"I wonder," the consul general reportedly said, "why Ginowan City allows (housing) construction in the off-base area near the runway" of the Futenma base. This remark, as explained in the editorial, is tantamount to a logic that goes: "The local residents, who later had their houses built near the base on their own, are to blame, and so is Ginowan City that allows it. Accordingly, the U.S. military is not to blame." This logic is similar to the so-called logic of approaching danger, which can be likened to the art of reasoning against reason to compel the population of Okinawa to shoulder the burden of hosting U.S. military bases.

Reasoning against reason-this is a debating skill of unduly using unreasonable logic and holding down someone to forcefully push through something unreasonable. Also, the key to the art of reasoning against reason is not to listen to what the other person is saying. The consul general can say such a thing. That is because he ignores serious facts as premises in Okinawa. And his ignorance of the facts or his intentional disregarding thereof hurts the dignity of Okinawa's people.

In the meantime, many of Okinawa's people were deprived of their farmland for U.S. military bases and they were also deprived of even their right to live on their landed properties. I'm sure that the consul general knows this fact.

In Okinawa, people's property rights have been violated. In addition, even their free choice of where to live has been extremely restricted. In other words, their fundamental human rights have been violated. As a result, many people in Okinawa have had no choice but to live in the vicinity of U.S. military bases. Moreover, the U.S. military-and none other-has left the Futenma base's danger as is against its own safety standards. In short, many of those who live around the Futenma base have had no choice but to live "in the



off-base area near the runway" because of the U.S. military presence. Meanwhile, U.S. military personnel and civilian employees are almost free to live on or off their bases.

By ignoring the abovementioned serious facts as premises, it is possible to set up fictitious premises that are convenient to the U.S. military-as if its bases had been built on uninhabited wasteland. The conclusion reached by doing so is the consul general's remark this time. However, it is nothing but a conclusion reached by what is called a "false premise" in logic. A wrong premise cannot arrive at a correct conclusion. Accordingly, claiming such a conclusion to be correct is also reasoning against reason.

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However, any conclusion-if its premise is wrong-is logically not a lie. In addition, the consul general says that one of the basics for diplomats is not to tell a lie. If that is the case, we might well think that he must have knowingly used the art of reasoning against reason. In point of fact, the consul general's argument corresponds to the logic of "countervailing"-or a specific tactic employed in the art of reasoning against reason. In this sense, the consul general's remark, which sounded as if he was shifting the blame onto Ginowan Mayor Yoichi Iha, can be taken as being intended to offset the illegality of U.S. military bases on Okinawa by countervailing the mayor's justifiability.

However, the reason why one tries to countervail another person's justifiability is because that person acknowledges that justifiability. That is a weak point of the logic of countervailing. If we logically verify it, contradictions and faults will come out of it. That is to say, the consul general, in point of fact, acknowledges the justifiability of Mayor Iha, who criticizes the U.S. military's violation of its own safety standards for Futenma airfield, and the consul general owns up to the U.S. military's illegality. Accordingly, it is reasonable to close down the airfield as demanded by the mayor.

However, the consul general reemploys his countervailing logic in trying to shirk responsibilities by stressing that the U.S. government is not authorized to restrict off-base building. But no matter how much the consul general underscores that, he cannot offset the fact that it is possible enough for the United States to close down Futenma airfield within the scope of its on-base authority.

In the United States, any base that violates the U.S. military's safety standards can never be maintained and can never be allowed to exist. In Okinawa, however, the U.S. government forcibly continues maintaining a base that must not exist. In other words, the U.S. government unconcernedly violates the human rights of Okinawans while it can never violate those of Americans.

Such an act is called racial discrimination, isn't it? Forcing U.S. military bases on Okinawans is racial discrimination, isn't it? Base construction, which is symbolized by "bayonets and bulldozers," is racial discrimination, isn't it? In that sense, Mayor Yoichi Iha's demand to close down Futenma airfield is also an act of seeking to do away with racial discrimination.

Meanwhile, it is probably possible to say that the reason why Consul General Kevin Maher hurt the hearts of people in Okinawa is because he outspokenly justifies racial discrimination-which is in the form of forcing the presence of U.S. military bases on Okinawans-by developing his logic of reasoning against reason. The consul general also remarked that the Futenma base is not dangerous. This reasoning-against-reason logic is also one of his doings that hurts the dignity of Okinawans. Anyone reasoning against reason is apt to fall into self-contradictions. The consul general says that the Futenma base is not dangerous. But he also says that the U.S. government will move it. If so, there's no reason, from the beginning, to insist on Henoko. It is also possible enough to relocate the base elsewhere outside Okinawa Prefecture.

By the way, in 1948, when the construction of U.S. military bases on Okinawa was beginning in full swing, Hendrick Verwoerd, who was

called the farther of apartheid and served as South African prime minister, said: "The apartheid policy is a good neighbor policy." This is a remark regarding the most notorious racial discrimination policy in the world, and it helps shed light on the "good neighbor policy" in Okinawa.

(8) DPJ's Okada says, "I do not have strong desire" to run in the party's presidential election

NIKKEI (Page 2) (Full)  
July 31, 2008

Democratic Party of Japan (DPJ) Vice President Katsuya Okada said at the Japan National Press Club yesterday: "At this time, I do not have a strong desire" to run in the presidential election in September. It was the first time for Okada to reveal his true intention. There has been a strong view in the party calling on him to run in the leadership race. Even though the likelihood that incumbent President Ichiro Ozawa would be reelected for a third term has increasingly become stronger, the focus will likely now be on moves by Public Relations Committee Chairman Yoshihiko Noda and lawmaker Yukio Edano.

Pointing out that he had resigned from the DPJ presidency in 2005 to take responsibility for the party's setback in the House of Representatives election that year, Okada said: "I think I should restrain myself until the next Lower House election." He added: "I'm not sure whether the environment has drastically changed since 2005. I think the election will be the same as that in 2005, even if it is carried out under my initiative."

Okada commented about Ozawa:

"There is no question that he was the biggest contributor to the party's victory in the House of Councillors election. He has been doing well since then. However, since the presidential race is an opportunity to debate policies, it can be considered as a step forward toward the Lower House election."

He indicated that it would be desirable that the election be contested by more than one candidate.

Okada answered with "no comment" whenever he has been asked whether he would run in the presidential race. With his expression of reluctance to run in the election finally made for the first time, the possibility is high that moves to field rival candidates against Ozawa will likely enter a new phase.

Noda, who has been asked by junior and mid-level lawmakers to run, has so far remained silent. However, a group of lawmakers, who wish to field rival candidates against Ozawa, will likely ask Noda to run. Another group of junior and mid-level lawmakers, who have close ties to Vice President Seiichi Maehara, is expected to accelerate a plan to file him as a candidate. Edano has told persons close to him his intention to run in the election if Okada does not.

However, still another group of lawmakers, including the executive members, who favor Ozawa's reelection for a third term, is gaining momentum. Diet Affairs Committee Chairman Kenji Yamaoka at a press briefing yesterday in the city of Oyama, Tochigi Prefecture, commented on Okada's remarks: "He is a person with a lot of commonsense and thinks of the party."

Deputy President Naoto Kan in a study session he hosted stated yesterday: "The party head's post should be assumed by a person who is feared by other parties. The LDP is most afraid of Mr. Ozawa." In the study session, many participants voiced their views supporting Ozawa. Support for Ozawa has grown in a group of lawmakers failing from the former Democratic Socialist Party, as well as in a group of lawmakers coming from the former Japan Socialist Party. A senior

party official said: "More than a half of the DPJ Diet members support (Ozawa)."

However, Ozawa has yet to announce his candidacy. So, if Ozawa does not run, there remains a possibility that Okada might stay in the presidential race. When asked by reporters about his comment on Okada's remarks, Ozawa just said yesterday in Sapporo: "I'm not in a position to make any comment." Asked about when he would announce his candidacy, he responded: "I will consider it after the mid-August O-Bon holiday break."

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(9) BOJ economic outlook for 1998: Economic planning agency director general intervenes at policy-setting meeting, claiming "The outlook will work as a drag on the economy"

TOKYO SHIMBUN (Top Play) (Excerpts)  
July 31, 2008

The Bank of Japan (BOJ) on July 31 for the first time released the minutes of its policy-setting meetings. As a result, it was found that then Economic Planning Agency Director General Koji Omi demanded a revision to its economic outlook at a meeting on April 9, 1998, in which he took part as the representative of the government. It was also learned that the government later demanded the deletion of Omi's demand from the summary of the minutes, released on May 22 the same year, claiming that such a description could be taken as the government having lodged an objection.

That was the first time for the BOJ to hold a meeting under the amended Bank of Japan Law, which was put into effect in April 1998 with the aim of securing the independence of the central bank. The revelation indicates that since a tense relationship between the BOJ and the government had been continuing, the government could have infringed on the independence of the BOJ as it had not yet familiarized itself with the spirit of the amended law.

The BOJ economic outlook in question noted that the present state of the economy was in the negative territory. Omi repeatedly demanded that the BOJ steered clear of issuing a report that could obstruct economic-stimulus measures taken by the government.

Then BOJ Deputy Governor Sakuya Fujiwara made a rebuttal, saying, "Announcements that the BOJ issues are not intended to be a drag on the economy." In the end, the BOJ outlook was not revised.

A person who attended a BOJ meeting on May 19 the same year from the Economic Planning Agency demanded that Omi's statement be deleted from the minutes, claiming that the minutes described as if the director general had trampled on the spirit of transparency, including the accountability of the BOJ. Omi's demand was then deleted, based on the decision made by then BOJ Governor Masaru

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The BOJ is expected to continue releasing minutes covering a six-month period every six months.

SCHIEFFER